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STATEMENT

PROPERTY CASUALTY INSURERS ASSOCIATION OF AMERICA (PCI)

H.B. 6864 – AN ACT CONCERNING THE PROVISIONS OF THE STANDARD FIRE POLICY FORM

COMMITTEE ON INSURANCE AND REAL ESTATE

March 5, 2015

The Property Casualty Insurers Association of America (PCI) appreciates the opportunity to comment on H.B. 6864, an act concerning the provisions of the standard fire policy form. Our comments are provided on behalf of the member companies of PCI, a national property casualty trade association with over 1,000 member companies. PCI member companies provide 36 percent of Connecticut's property casualty insurance coverage.

While PCI has questions as to the intent of the changes in Section one of this bill, PCI is concerned that the provisions in Section one will reduce some of the flexibility that currently exists relative to these provisions for certain policies and would oppose any such restrictions as they may reduce insurance options for Connecticut policyholders. Our first concern relates to the requirement that policies of fire insurance "incorporates without change" provisions of the standard fire policy. The existing language requires policies to "conform as to" standard fire policy provisions but do not require that the policy "incorporates without change" such provisions. This new language seems unnecessarily limiting if the substance of the provisions at issue is required to be the same under current law.

PCI also has concerns that the provisions of Section one may further limit the flexibility necessary for nonadmitted insurers to meet the insurance needs of unique, hard to place risks in Connecticut. Again, PCI is unsure of the intent of these provisions, but if the intent is to further restrict the flexibility of certain policies issued by nonadmitted insurers, then PCI has major concerns with these provisions. Nonadmitted insurance represents that insurance coverage that consumers cannot otherwise find available in the admitted market of private insurers licensed to transact business in the state. In that situation, Connecticut surplus lines law permits the licensed surplus lines broker to export out of the jurisdiction of the state and procure such insurance coverage with an unauthorized but eligible surplus lines insurer. Critical, however, to this placement is the acknowledgement that such insurance, not able to be placed in the admitted market, represents a unique or nonstandard risk. As a result, the surplus lines insurer in order to properly underwrite that risk, must rely on the flexibility and freedom to negotiate the coverage form. Without this freedom and flexibility,

nonadmitted insurers may not be able to write policies for certain risks which may make it difficult, or even impossible, to obtain coverage for such risks.

PCI also has concerns with Section two of this bill. PCI strongly agrees that the expenses of umpires selected pursuant to the appraisal provision should not be paid directly from any award as such a payment arrangement may taint the impartiality of the umpire and diminish the ability of the appraisal process to fairly resolve disputes relative to the actual cash value of a loss. Accordingly, PCI strongly opposes the provisions of Section two which would allow such payment arrangements if a policyholder requests such an arrangement in writing.

Accordingly, for the foregoing reasons, PCI urges your Committee NOT to advance this bill.